

# Multi-Asset Investment Solutions

# Weekly Market Review

## Author

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Date: 11/05/2026

### Market recap – technology strength drives global gains despite UK weakness

Global stock markets moved higher overall, led by another strong advance in **US technology shares**. In sterling terms, the **Nasdaq 100 rose 5.5%**, as enthusiasm around **artificial intelligence** and strong company earnings momentum continued. The broader **S&P 500 gained 2.3%**, supported by strong corporate results and signs of resilience in the US labour market. European markets made more modest progress, with **MSCI Europe ex UK up 0.8% (GBP)**, as solid earnings were partly offset by renewed trade concerns and higher energy prices. **Japan outperformed**, with **TOPIX advancing 2.7%**, helped by a technology-led rally in a holiday-shortened week. **China also rose**, with **MSCI China up 3.1%**, as markets reopened after the May holiday and investors focused on resilient domestic demand and hopes of stability in US–China relations. In contrast, the **FTSE 100 fell 1.2%**, weighed down by energy price volatility, rising gilt (government bond) yields\* and renewed political uncertainty in the UK.

### Geopolitics – diplomacy hopes temper energy-driven volatility

Geopolitical developments remained a key influence, with **renewed clashes in the Middle East** unsettling markets. Early in the week, concerns around **shipping routes and energy supplies** pushed oil prices and bond yields higher, putting downward pressure on stock markets. However, sentiment improved as reports suggested progress towards a **potential diplomatic framework between the US and Iran**. Markets responded positively to the prospect of reduced disruption to global energy flows, helping markets recover lost ground. While tensions remain elevated, investors increasingly looked through short-term flare-ups, focusing on the bigger picture of whether enough was being done to prevent a **sustained inflation shock** via higher energy prices.

### Central banks – patience reinforced by firm growth backdrop

Central banks continued to balance **resilient economic growth** against renewed **inflation pressures**. In the US, positive labour market data supported the view that the **Federal Reserve can remain patient**, with reduced expectations for interest rate cuts in the short term. In Europe, policymakers signalled the **European Central Bank (ECB) remains alert to inflation risks**, particularly from energy prices. In the UK, **higher gilt yields** reflected government spending and inflation concerns, despite a slight reduction in rate-hike expectations. **Chinese policymakers** maintained a supportive stance to underpin domestic demand amid external uncertainty.

### News – earnings strength and AI investment dominate sentiment

The dominant market story of the week was the continued strength of **corporate earnings**, particularly in the **US technology sector**. With most **S&P 500 companies** having now reported, earnings have beaten expectations by a wide margin, highlighting **strong profitability and operating leverage**. **AI- and semiconductor-linked companies** led gains, reinforcing the view that artificial intelligence investment remains a powerful driver of market performance. This momentum helped markets absorb **geopolitical noise and higher bond yields**, pushing major US indices to **fresh highs**, while the breadth of positive surprises continued to underscore the **resilience of corporate performance**.

## Economic data – resilience offsets confidence headwinds

Economic data releases painted a picture of **steady but uneven global growth**. In the US, **the total number of paid workers, or ‘payrolls’, in the economy rose for a second consecutive month**, beating expectations and confirming ongoing labour market resilience, even as **consumer sentiment fell to a record low** amid higher fuel prices and tariff concerns. In the UK, the **Purchasing Managers' Index (PMI) economic indicator pointed to renewed expansion** across services and manufacturing, although rising borrowing costs and political uncertainty weighed on confidence. Eurozone data were mixed, with **strong German factory orders** contrasting with weak construction activity, while **producer price inflation picked up sharply** due to higher energy costs. In China, **services activity surprised to the upside**, signalling resilient domestic demand.

## Commodities

**Oil remained above \$100**, with Brent crude settling near \$101 per barrel, driven by shifting expectations around Middle East supply risks and prospects for diplomacy.

**Gold prices climbed above \$4,720 per ounce**, posting a weekly gain of over 2%, supported by ongoing geopolitical uncertainty and a modest pullback in bond yields, which improved its appeal as a defensive asset.

## Week ahead – what to watch

**US:** Apr inflation rate YoY (Tue); Apr core inflation MoM (Tue); Apr PPI MoM (Wed); Apr retail sales MoM (Thu)

**UK:** Q1 GDP growth QoQ prelim (Thu); Mar GDP MoM (Thu)

**Europe:** May ZEW economic sentiment index, Germany (Tue)

**Asia:** Apr inflation rate YoY, China (Mon); May Westpac consumer confidence change, Australia (Tue)

\*Bond yields and bond prices move in opposite directions. As yields rise, prices fall.

Source: Marlborough Multi-Asset, Morningstar, Financial Times, PIMCO, T. Rowe Price, Anglia Advisors, Trading Economics

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